

A meeting of the State Lands Commission was held in the office of the Director of Finance, State Capitol, Sacramento, February 9, 1940, at 10:30 A. M.

Present were:

John R. Richards, Director of Finance
Ellis E. Patterson, Lt. Governor
Harry B. Riley, State Controller

The Executive Officer presented for confirmation minutes of the meetings of the State Lands Commission for December 11, 1939, and January 8, 1940, and, upon motion of Mr. Patterson, seconded by Mr. Riley, the minutes of the said meetings were confirmed and approved as submitted.

The Executive Officer read to the Commission a communication from the Secretary of the Interior dated January 18, 1940, constituting a reply to a communication of the Commission. In this communication, Secretary of the Interior stated in substance that all California Federal lands considered to be valuable for various purposes had been withdrawn in 1934 and the lands now available to purchasers of State indemnity scrip and for disposition by the Federal Government were not deemed valuable for parks power sites, reservoir sites, and other like public purposes.

Upon this information, Mr. Patterson moved the adoption of a resolution to authorize resumption of the sale of indemnity certificates or scrip and directed that appropriate action be taken upon applications pending. Motion was seconded by Mr. Riley and unanimously carried.

The Executive Officer informed the Commission that engineers of the State Lands Commission had located 14 areas in the tidelands and submerged lands fronting Huntington Beach and easterly of 23d Street which appear to contain oil and gas, and recommended that the Commission adopt a resolution inviting bids to drill wells into such areas from sites upon the adjacent upland. The Executive Officer further reported that the owners of Lots 21 and 23, Block 220, Huntington Beach, from which the Bestmi Oil Company, a corporation, had drilled a well into the tidelands and submerged lands, had agreed to make their lots available to a lessee or grantee of the State in consideration of a royalty of two percent, such royalty to be effective after the State had received its royalty in the sum of \$8,461.00 out of the first oil produced from any well drilled from such upland site.

Upon motion of Mr. Riley, seconded by Mr. Patterson, and unanimously carried, a resolution was adopted, in words and figures as follows, to wit:

RECITAL:

The State Lands Commission is authorized by the "State Lands Act of 1938" to enter into agreements for the extraction of oil and gas from tidelands and submerged lands of the State of California whenever it appears to the Commission that oil and gas deposits are known or believed to be contained in such tidelands and submerged lands, and may be, or are being drained by means of wells upon adjacent lands not owned by the State.

NOW, THEREFORE, BE IT RESOLVED:

That it appears to, and is hereby the determination of, the State Lands Commission that oil and gas deposits are known to be contained in the hereinafter described tidelands and submerged lands of the State of California, and which said tide and submerged lands may be or are being drained of oil and gas by means of wells upon lands not owned by the State and adjacent to said hereinafter described tidelands and submerged lands of the State;

That it is the determination of the Commission that such action be taken in the manner contemplated and authorized in the "State Lands Act of 1938" to protect the oil and gas reserves of the State of California in the hereinafter described tidelands and submerged lands;

That each bidder may propose to enter into an agreement with the State of California for the extraction of oil, gas and other hydrocarbons from any one or more of the hereinbefore described locations;

That each bidder, as a condition precedent to the consideration of such bidder's bid, in addition to other qualifications contained in the "State Lands Act of 1938", shall present at the time of the delivery of such bid or bids to the State Lands Commission evidence satisfactory to the Commission of the present ability of such bidder to furnish all necessary sites and rights-of-way northerly of the northerly line of Ocean Avenue and between the easterly boundary of 10th Street and the westerly boundary of 23d Street, in the City of Huntington Beach, State of California, without cost or obligation to the State, for all operations contemplated under the provisions of form of bid, and any bid not accompanied by such evidence will be rejected by the Commission;

That evidence of the present ability of a bidder to furnish all necessary sites and rights-of-way for the operations contemplated under the provisions of form of agreement for easement shall include the following:

(1) The owner or owners of the real property situate northerly of the northerly line of Ocean Avenue and Between the easterly line of 10th Street and the westerly line of 23d Street, in the City of Huntington Beach, State of California, shall execute the endorsement on said agreement, acknowledging that the bidder has been granted all necessary sites, rights-of-way and easements; and

(2) Bidder shall transmit to the Commission with the bid either (a) an instrument or instruments, or certified copies thereof, vesting in such bidder such sites, rights-of-way, and easements, or (b) certified copies of such instrument or instruments, together with the affidavits of the owners of property situate northerly of the northerly line of Ocean Avenue and between the easterly line of 10th Street and the westerly line of 23d Street in the City of Huntington Beach, State of California, that the original copies of such documents have been placed in escrow to be delivered to the bidder in the event the bid is accepted;

That the findings of the Commission whether a bidder has the present ability to furnish all necessary sites and rights-of-way for all operations contemplated under the agreement for easement for which bids were submitted shall be final and conclusive;

That each bid submitted pursuant to this notice shall be accompanied by a certified or cashier's check of a responsible bank in California payable to the Treasurer of the State of California in the sum of \$2500 as a deposit of evidence of good faith, and except in the case of the successful bidder will be returned to the respective bidders. Should the successful bidder fail or refuse to execute the agreement for easement within 15 days of the award thereof by the Commission, deposit shall be forfeited to the State of California; otherwise the amount of said deposit shall be applied upon the annual rental for the first year, and the balance, if any, refunded to the grantee;

That bids received pursuant to this notice will be publicly opened at 10:00 A. M., March 30, 1940, in Room 302 California State Building, Los Angeles, or at such later time and date as the Commission shall determine;

That a form of agreement for easement prepared by the Commission entitled "Agreement for Easement No. -----, Huntington Beach" for each of the locations hereinafter described is hereby adopted by the Commission and shall constitute the form of bid for the respective location;

That the Executive Officer of this Commission be and he is hereby directed to publish notice of intention to offer said tidelands and submerged lands of the State of California for the purpose of extraction of oil and gas therefrom, in words and figures as follows, to wit:

NOTICE OF INTENTION OF THE STATE LANDS
COMMISSION TO RECEIVE OFFERS TO ENTER INTO AGREEMENTS
FOR EXTRACTION OF OIL, GAS AND OTHER HYDROCARBONS,
FROM CERTAIN SUBMERGED LANDS OF THE STATE OF CALIFORNIA
SITUATE IN ORANGE COUNTY, CALIFORNIA

Notice is hereby given by the State Lands Commission, acting pursuant to the "State Lands Act of 1938" (Chapter 5, Statutes of Cali-

for the purpose of extraction of oil, gas, and other hydrocarbons from those certain fourteen locations in submerged lands situate in the County of Orange, State of California, and more specifically described as follows:

Location	Coordinates of Course at 4200 Feet Below Sea Level on Zone 6 California, Lambert Conformal Projection		True Bearing of Perforated Portion	Maximum Allowable length horizontal projection of hole
	X	Y		
A	1,462,690 ft.	548,217 ft.	S 51° 20' W	3500 ft.
B	1,462,986 ft.	548,702 ft.	S 64° 20' W	3500 ft.
C	1,463,370 ft.	548,640 ft.	S 35° 35' W	3500 ft.
D	1,463,358 ft.	548,908 ft.	S 32° 55' W	3500 ft.
E	1,463,132 ft.	549,213 ft.	S 38° 20' W	3500 ft.
F	1,462,539 ft.	549,463 ft.	S 74° 30' W	3500 ft.
G	1,462,130 ft.	548,346 ft.	S 40° 30' W	3500 ft.
H	1,461,880 ft.	548,124 ft.	S 40° 30' W	3500 ft.
J	1,461,530 ft.	548,138 ft.	S 40° 30' W	3500 ft.
K	1,462,196 ft.	549,047 ft.	S 42° 20' W	3500 ft.
L	1,461,312 ft.	548,289 ft.	S 40° 30' W	3500 ft.
M	1,461,939 ft.	549,107 ft.	S 38° 45' W	3500 ft.
N	1,460,900 ft.	548,476 ft.	S 47° 10' W	3500 ft.
P	1,460,560 ft.	548,551 ft.	S 45° 55' W	3500 ft.

A map showing the proposed locations relative to the surface improvements and relative to the perforated portions of all producing wells where said perforations are within 250 feet of the proposed locations, delineating both plan and vertical sections, may be inspected at the State Lands Commission offices in Huntington Beach or State Building, Los Angeles; or copy will be mailed from the latter address upon receipt of \$1.50.

The Commission has obtained one upland drilling site by agreement with the owners thereof described as Lots Twenty-one (21) and Twenty-three (23) in Block Two Hundred Twenty (220) of "Huntington Beach, Seventeenth St. Section", as shown on a Map recorded in Book 4, page 10 of Miscellaneous Maps, records of Orange County, California, which will be made available to qualified persons offering highest royalty to the State upon condition that the State be paid the sum of Eight thousand four hundred sixty-one (\$8,461.00) Dollars in addition to the royalty out of the first products produced from the well to be drilled and after payment of said sum to pay to the owners of the site a royalty of two percentum upon products produced from the well. Agreement for this upland site may be examined at the office of the Commission in Los Angeles.

Each bidder may propose to enter into an agreement with the State of California for the extraction of oil, gas and other hydrocarbons from any one or more of the hereinbefore described locations.

Each bidder, as a condition precedent to the consideration of such bidder's bid, in addition to other qualifications contained in the "State Lands Act of 1938", shall present at the time of the delivery of such bid or bids to the State Lands Commission evidence satisfactory to the Commission of the present ability of such bidder to furnish all necessary sites and rights-of-way northerly of the northerly line of Ocean Avenue and between the easterly boundary of 10th Street and the westerly boundary of 23d Street, in the City of Huntington Beach, State of California, without cost or obligation to the State, for all operations contemplated under the provisions of form of bid, and any bid not accompanied by such evidence will be rejected by the Commission.

Evidence of the present ability of a bidder to furnish all necessary sites and rights-of-way for the operations contemplated under the provisions of form of agreement for easement shall include the following:

(1) The owner or owners of the real property situate northerly of the northerly boundary line of Ocean Avenue and between the easterly line of 10th Street and the westerly line of 23d Street, in the City of Huntington Beach, State of California, shall execute the endorsement on said agreement, acknowledging that the bidder has been granted all necessary sites, rights-of-way and easements; and

(2) Bidder shall transmit to the Commission with the bid either (a) an instrument or instruments, or certified copies thereof, vesting in such bidder such sites, rights-of-way, and easements, or (b) certified copies of such instrument or instruments, together with the affidavits of the owners of property situate northerly of the northerly line of Ocean Avenue and between the easterly line of 10th Street and the westerly line of 23d Street in the City of Huntington Beach, State of California, that the original copies of such documents have been placed in escrow to be delivered to the bidder in the event the bid is accepted.

The findings of the Commission whether a bidder has the present ability to furnish all necessary sites and rights-of-way for all operations contemplated under the agreement for easement for which bids were submitted shall be final and conclusive.

Each bid submitted pursuant to this notice shall be accompanied by a certified or cashier's check of a responsible bank in California payable to the Treasurer of the State of California in the sum of \$2500 as a deposit of evidence of good faith, and except in the case of the successful bidder will be returned to the respective bidders. Should the successful bidder fail or refuse to execute the agreement for easement within 15 days of the award thereof by the Commission, deposit shall be forfeited to the State of California; otherwise the amount of said

deposit shall be applied upon the annual rental for the first year, and the balance, if any, refunded to the grantee.

All bids made pursuant to this notice shall be addressed to the State Lands Commission, sealed and delivered to the State Lands commission, Room 302 California State Building, Los Angeles, on or before 10 o'clock A. M., of the 29th day of March, 1940. Upon the sealed envelope containing such bid shall be written "Bid of (name of bidder) made pursuant to the notice of intention of the State Lands Commission to enter into agreement for extraction of oil, gas and other hydrocarbons from submerged lands in the County of Orange, State of California."

Bids received pursuant to this notice will be publicly opened at 10 o'clock A. M., March 30, 1940, in Room 302 California State Building, Los Angeles or at such later time and date and place as the Commission shall determine.

Form of bid entitled "Agreement for Easement -----, Huntington Beach", may be obtained at the office of the Commission, Room 302 California State Building, Los Angeles, California.

The Commission reserves the right to reject any and all bids received pursuant to this notice.

STATE LANDS COMMISSION,

By

Webb Shadle,
Executive Officer.

That those certain fourteen locations of submerged lands situate in the County of Orange, State of California, are more specifically described as follows, to wit:

Location	Coordinates of Course at 4200 Feet Below Sea Level on Zone 6 California, Lambert Conformal Projection		True Bearing of Perforated Portion	Maximum Allowable length Horizontal Projection of Hole
	X	Y		
A	1,462,690 ft.	548,217 ft.	S 51° 20' W	3500 ft.
B	1,462,986 ft.	548,702 ft.	S 64° 20' W	3500 ft.
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E	1,463,132 ft.	549,213 ft.	S 38° 20' W	3500 ft.
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G	1,462,130 ft.	548,346 ft.	S 40° 30' W	3500 ft.
H	1,461,880 ft.	548,124 ft.	S 40° 30' W	3500 ft.
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N	1,460,900 ft.	548,476 ft.	S 47° 10' W	3500 ft.
P	1,460,560 ft.	548,551 ft.	S 45° 55' W	3500 ft.

That the Executive Officer be and he is hereby authorized and directed to perform all acts and to do all things necessary and desirable to effectuate the purposes of this resolution.

At this place during consideration of the calendar, Ellis E. Patterson, Lt. Governor, Member of the Commission, excused himself from the meeting and did not participate in further proceedings for this day.

The Executive Officer reported that the Reclamation Board had been requested to furnish two drilling sites littoral to the Sacramento River to the State Lands Commission upon lands of the Sacramento and San Joaquin Drainage District, and that a communication had been received from the Reclamation Board whereby the Commission had been requested to advise this board whether a recapture clause could be inserted in any lease or agreement issued by the Commission to drill wells into the bed of the Sacramento River for the extraction of gas. The Commission was advised that the "State Lands Act of 1938" does not authorize the insertion of a recapture clause, and further, that no moneys are now available to the Commission to compensate a lessee or grantee in the event the Commission should exercise a power contained in a recapture clause. The Chairman stated that the Director of Natural Resources was in receipt of a report from the Chief of the Division of Oil and Gas with respect to the extraction of gas from the gas field, of which the bed of the Sacramento River is a part.

Motion was made by Mr. Riley, seconded by Mr. Richards, and unanimously carried, that the Executive Officer be instructed to advise the Reclamation Board that the Commission had no authority to insert a recapture clause in any lease or agreement issued by it for this purpose but that the Commission can and will reserve the right to take its royalty in kind, and that no action be taken at this time to invite bids to offset the drainage of gas now taking place from the bed of the Sacramento River.

Progress report was made by the Executive Officer of negotiations to enter into compensatory agreement at Mc Donald Island Gas Field and that the Executive Officer was conferring with L. G. Campbell, Esq., Deputy Attorney General, in all steps in the negotiations.

The Executive Officer presented for consideration of the Commission a draft of rules and regulations to govern the administration of tidelands and submerged lands under powers contained in Chapter 646, Statutes of 1939, as follows:

RULES AND REGULATIONS ADOPTED BY THE STATE
LANDS COMMISSION ON FEBRUARY 9, 1940, GOVERNING THE
USE AND OCCUPANCY OF TIDELANDS AND SUBMERGED LANDS AND OTHER
SUBMERGED LANDS FOR THE CONSTRUCTION AND MAINTENANCE
OF PIERS, WHARVES AND OTHER LIKE STRUCTURES BUT
EXCLUDING GROINS, JETTIES, AND BREAKWATERS

By virtue of Section 48 of the "State Lands Act of 1938" (Chapter 646, Statutes of 1939), the State Lands Commission has exclusive jurisdiction over all ungranted tidelands and submerged lands owned by the State and of the beds of navigable rivers, streams, lakes, bays, estuaries, inlets and straits, and all jurisdiction and authority remaining in the State as to tidelands and submerged lands as to which grants have been made or may be made. The Commission is vested with exclusive administration and control over all such lands, and may lease or otherwise dispose of such lands, as provided by law and in accordance with such rules and regulations as the Commission shall adopt.

These rules and regulations exclude groins, jetties, seawalls, breakwaters or bulkheads, the construction and maintenance of which are governed by Section 690.10 of the Political Code, and rules and regulations of the Commission. Also excluded from these rules and regulations is the power vested in the Commission to grant leases or easements for the extraction of oil, gas and other hydrocarbons from tidelands and submerged lands, as well as other submerged areas.

These rules and regulations are designed to govern the construction and maintenance of wharves, piers, slips, and any other structure or use which has for its purpose a commercial feature rather than protective.

Applications will be received by the Commission for construction and maintenance of structures governed by these rules and regulations as herein set forth. Each application shall be accompanied by a fee of \$10.00 representing the cost to the Commission for examination of application and plans and specifications. The application need not follow any particular form but must contain information as follows:

1. Name, address, and quality, of applicant;
2. Description of tidelands and submerged lands or other submerged land sought to be utilized;
3. Plans and specifications of the proposed structure;
4. Use or uses to which structure would be put;
5. Term desired.

Whenever deemed desirable by the Commission, hearings will be held to determine whether the issuance of such consent by the Commission would be in the interests of the State of California.

Upon approval of an application at the rental and term specified by the Commission, the Director of Finance will be requested to issue an easement under the provisions of Section 675 of the Political Code. Such easement will not vest in the applicant any interest in the tidelands or submerged lands or beds of navigable areas.

On motion of Mr. Riley, seconded by Mr. Richards, resolution was unanimously adopted approving said rules and regulations and confirming the acts of the Executive Officer heretofore taken under and pursuant to such rules and regulations.

An oral report was made to the Commission by the Executive Officer of preliminary investigation now being conducted to determine (a) whether oil wells drilled adjacent to the ocean from uplands in former municipality of City of Venice have penetrated tidelands and submerged lands and are producing oil therefrom, and (b) whether grant to the City of Venice by the Legislature is defective on account of failure to describe tidelands and submerged lands which the Legislature may have intended to convey.

Upon motion of Mr. Riley, seconded by Mr. Richards, by resolutions adopted by unanimous vote, the Executive Officer was authorized and directed to perform the acts, and his acts were approved and confirmed as follows:

1. Issuance of certificates to the Governor requesting issuance of patents:

18839	covering	160	acres	of	lieu	land	to	Ruth U. Thurber
18840	"	36.59	"	"	"	"	"	F. J. Anderson
18841	"	20	"	"	"	"	"	Lowell Blanchard Close
18842	"	9.81	"	"	"	"	"	Yone Matsumato

2. Issuance of leases under Applications Nos. 735, 736, 737 and 739, at a minimum rental of 5 cents per acre, for term of three years, and in accordance with rules and regulations of the Commission.

3. Issuance of Certificate of Purchase 1446 to Howard V. Jack covering 40 acres of lieu land in Kern County.

4. The sale of Lots 1, 2, 3 and SW $\frac{1}{4}$ of NE $\frac{1}{4}$ of Section 36, T. 29 S., R. 13 E., M. D. M., to J. H. Jackson for the sum of \$500 cash, said sum having been based upon an appraisement made by Mr. Henderson of Atascadero.

5. Extension of time to J. H. McKnight, holder of State Mineral Lease No. 266, to pay delinquent rental in the sum of \$160.00.

6. Confirmed termination of Owens Lake Leases Nos. 604, 635 and 661, for failure of respective lessees to produce minerals of certain minimum quantities within two years subsequent to issuance of respective leases.

7. Issuance of Owens Lake Lease No. 738 to Natural Soda Products Company for right-of-way.

8. The cancellation of State Grazing Leases No. 694 to Elmer Williams, No. 706 to Thomas J. and Elizabeth F. McCain, Camp Site Lease No. 712 to Wm. Baskin, et al., for failure to pay rental and after 15 days notice in writing by Executive Officer.

9. Consent of State Lands Commission to execution of right-of-way by Director of Finance of Section 36, T. 44 N., R. 13 E., M. D. M., in Modoc County, California, to U. S. Department of Agriculture.

10. To execute easement under Chapter 672, Statutes of 1931, to the State Department of Public Works over Tract 37 in T. 17 S., E. 9 E., S. B. M., Imperial County.

11. Cancellation of rental charge in the amount of \$59 assessed against Victor F. Christiansen under Lease No. 709 on account of rental for use of State school land in Modoc County for the reason that Mr. Christiansen has never signed a lease and agents of the Commission are unable to determine whether he has used the property for grazing or other purposes.

12. To obtain an appraisement by the Division of Mines of the mineral value of the area described in State Mineral Lease No. 15 to advise the Commission of the facts upon which it may establish royalty rate and consideration for extension of term of said lease.

13. The employment from eligible list of H. K. Armstrong and E. K. Soper, Consulting Geologist and Petroleum Engineers, for consulting services at Santa Barbara Mesa and Rio Vista, respectively.

14. Disapproval of application of H. K. Arnaud to lease State lands situated at western end of Sherman Island for duck shooting preserve.

15. Transfer of sum of \$180,000 from State Lands Act Fund to General Fund and State Park Maintenance and Acquisition Fund, in percents of 70 and 30, respectively.

16. Correction of minutes of November 1, 1939, to show Owens Lake Lease No. 335 as Owens Lake Lease No. 635.

17. Issuance of Certificate of Purchase No. 1445 covering swamp and overflowed land Location 4239 to Edna M. Molster, in accordance with law, but reserving to the State all of recession lands in Cowhead Lake and further reserving to the State a right-of-way over and across property described in certificate of Purchase to said Cowhead Lake.

18. Advise Fred W. Hughes, Seal Beach, California, the State Lands Commission has no authority to construct seacoast structures upon tidelands and submerged lands of the State or uplands at Seal Beach, or to expend State moneys for such purposes.

There being no further business to come before the Commission, the meeting was adjourned.